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C O N F I D E N T I A L SECTION 01 OF 04 ISLAMABAD 003644

SIPDIS

REFS: A. ISLAMABAD 03493 B. ISLAMABAD 03590 C. ISLAMABAD 03456 D.
ISLAMABAD 03169

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TAGS: [ECON](#) [EFIN](#) [EINV](#) [ETRD](#) [ELAB](#) [PGOV](#) [PREL](#) [PK](#)

SUBJECT: PAKISTAN'S NEED FOR PL-480 WHEAT

Classified By: Anne W. Patterson for reasons 1.4 (b), (d).

¶1. (C) Summary. Embassy recommends food assistance for Pakistan. Domestic food shortages - but most fundamentally the inability of the new civilian government to deliver to its citizens - can and will undermine American security objectives in Pakistan. As we have reported, the Pakistani military is beginning to take the fight to the militants; cooperation between the Pakistani military and the U.S. military has been improving; and we have made strides against insurgent leadership. The government has negotiated an IMF program and has been pilloried in the press for doing so.

¶2. (C) Summary continued. Post originally requested PL-480, Title II in July prior to the Prime Minister's visit. This was not approved because of competing global priorities, although USDA did approve a generous package of Food for Progress. Post has more recently suggested GSM-102 credits (reftel A) to provide credit for Pakistan to purchase wheat commercially from the U.S. We understand this has also been rejected, with the observation that PL-480, Title II would be more appropriate for Pakistan. We agree entirely.

¶3. (C) Summary continued. Embassy also requests clarification regarding whether wheat available from Food for Progress is based on dollar amounts or tonnages.

¶4. (C) Summary continued. The Government of Pakistan (GOP) faces an immediate wheat shortage of 1.75 million tons, now valued at approximately USD 430 million. Domestic stocks will be depleted in January and the next wheat harvest will occur in April, so the GOP does not currently have enough wheat to feed its population for the coming winter months of February and March. Wheat is the staple of the average Pakistani diet, accounting for about 60 percent of consumption nationwide. The UN estimates that 51 percent of the population suffers from inadequate food consumption. Post requests urgent consideration and approval for concessional food supplies under PL-480 to assist the GOP in meeting its immediate food needs. End Summary.

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WHEAT DEFICIT GOING INTO THE WINTER
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¶5. (C) Wheat is the staple of the average Pakistani diet and wheat products provide about 60 percent of Pakistani protein and

carbohydrate requirements. According to the UN, 84 million people (51 percent of the population) suffer from inadequate food consumption, which is defined as less than 2,100 calories a day. Of these 84 million, 45 million are considered "severely food insecure" in that they consume less than 1,700 calories a day.

¶16. (C) Wheat stocks currently held by the GOP (3 million tons) are only sufficient to meet domestic consumption needs through January ¶2009. The government releases stocks to the provinces at the rate of approximately 1 million tons of wheat per month and all of the provinces will face a shortage. Pakistan will not harvest its next wheat crop until April/May 2009; therefore, it needs additional imports of 1.75 million tons (now at an estimated cost of USD 430 million) to avoid shortages in February and March.

¶17. (C) Pakistan's total wheat import needs for the 2008/2009 marketing year are estimated at 3.5 million tons. To date, the GOP has secured imports of 1.7 million tons of red wheat and 50,000 tons of white wheat. To meet the country's consumption needs until it harvests the next crop, the government must purchase an additional 750,000 tons of red wheat and 1 million tons of white wheat. Pakistan typically imports wheat at a ratio of 70 percent red wheat and 30 percent white wheat.

¶18. (C) The April 2009 crop is expected to be lower than planned due to water and fertilizer shortages. Irrigation for the current crops has fallen due to a combination of low rainfall and a water dispute with India, which has resulted in a 34 percent drop in water levels (reftels C and D). Fertilizers, both Diammonium Phosphates (DAP) and urea, are in short supply as producers are said to be hoarding or

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smuggling stores. Winter just began in Pakistan (typically November through February) and a food shortage will aggravate Pakistan's many problems, especially if the economy continues to contract and energy blackouts continue in food insecure regions.

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PL-480
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¶19. (C) The Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) is the primary statutory basis for most U.S. food aid programs. It authorizes the use of the U.S.'s abundant agricultural productivity to promote U.S. foreign policy and to enhance food security in the developing world. PL-480 has three titles, and each title has a specific objective and provides assistance to countries at a particular level of economic development. Title I of PL-480 is administered by USDA, and Titles II and III are administered by USAID. In addition to Title I, USDA is authorized to provide aid through two other programs: Food for Progress and Section 416(b). Per reftel A, Post made a request for GSM 102, however at the PCC, Post was directed towards PL-480.

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TITLE I AND FOOD FOR PROGRESS
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¶110. (C) PL-480, Title I - Trade and Development Assistance provides government to government sales of U.S. agricultural commodities to developing countries on credit or grant terms. Depending on the agreement, commodities provided under the program may be sold in the recipient country and the proceeds used to support agricultural, economic, or infrastructure development projects. Recently, Title I has become inactive and the Food for Progress program has essentially replaced it. The Food for Progress Act authorizes the Food for Progress Program to use Title I resources to assist emerging democracies.

¶111. (C) To fulfill President Bush's pledge to Prime Minister Gilani in July, Post is currently in the final stages of negotiating a Food for Progress program for 50,000 tons of U.S. wheat. When it was originally negotiated, the price of 50,000 tons of wheat was USD 24 million. Since then, the price of wheat has dropped so that 50,000 tons of wheat now amounts to USD 12.25 million. Post seeks clarification on whether USDA budgets for agreements in dollar

amounts rather than tonnage. Post believes there should be a surplus of USD 11.75 million due to world market price decrease which could be used to purchase another 48,000 tons of wheat at current world prices for Pakistan. Post recommends using the fully allocated dollar amount to purchase as much wheat as possible under current world prices.

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TITLE II
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¶12. (C) PL-480, Title II - Emergency and Private Assistance is administered by USAID and involves the donation of U.S. agricultural commodities to meet emergency and non-emergency food needs in other countries. Agricultural commodities donated by the USG are traditionally provided through the World Food Program (WFP) or private volunteer organizations. Title II provides agricultural commodities to foreign countries to fulfill the following objectives: 1) address famine or other urgent relief requirements 2) combat malnutrition 3) carry out activities to alleviate the causes of hunger, mortality, and morbidity 4) promote economic and community development 5) promote sound environmental practices and 6) carry out feeding programs. A Title II program for Pakistan would certainly meet all of these objectives except the environmental practices.

¶13. (C) Prior to the Pakistani Prime Minister's visit to Washington in July, Post recommended PL-480, Title II assistance for Pakistan but there were higher priority countries.

¶14. (C) Consequently, Post reprogrammed USD 8.5 million USAID

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Economic Support Funds to sponsor a school feeding program in NWFP and Balochistan. Originally, USAID had budgeted the USD 8.5 million of Economic Support Funds for economic growth initiatives to bolster the energy sector, trade, and private sector development. To be clear, this had nothing to do with the PL-480 program but represented a donation from USAID Economic Support Funds to the WFP to buy food supplements. As a result USAID has lowered the funding for their overall economic growth programs to cover this expense for PL-480. We are not able to reprogram any further funds as this would deplete the USAID programs which have already been developed and are in varying states of implementation.

¶15. (C) Pakistan is eligible for Title II assistance as the GOP does not have sufficient resources to provide food security to the Pakistani population. Without outside assistance the immediate physical, social and economic survival of the afflicted are severely at risk. The process may not be quick enough to help Pakistan's short term needs unless an emergency program is requested. An emergency short-term program would allow the U.S. to deliver the food as rapidly as possible.

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TITLE III
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¶16. (C) PL-480, Title III - Food for Development provides government to government grants to support long-term growth in the least developed countries. Donated commodities are sold in the recipient country, and the revenue generated is used to support economic development programs. While USAID does not currently have any plans to request Title III, it does have the ability and capacity to do so and, thus, would be able to provide food donations to Pakistan. There is some concern, however, as to whether or not Pakistan meets the Title III criteria. Post believes that Title III can be justified and that Pakistan meets the eligibility requirements as it is a least developed country using USAID's poverty guidelines.

¶17. (C) Pakistan needs to qualify as a "least developed country" under the Title III regulations. A least developed country, according to USAID guidelines must either fall under the poverty stricken country category (using criterion established by the International Bank for Reconstruction and Development for Civil Works Preferences) or the food deficit country category.

¶18. (C) According to Post research, Pakistan qualifies under Title III as an extremely poverty stricken country. To be eligible under the International Bank for Reconstruction and Development's Civil Works Preferences, a country's per capita annual income must be USD 935 or less. Using 2007 World Bank data, Pakistan's per capital annual income is USD 870.

¶19. (C) Pakistan hovers on the brink of being categorized a food deficit country but does not meet the exact definition using USAID guidelines. The food deficit criteria are: 1) per capita consumption of less than 2,300 calories per day, 2) child (under 5 years) mortality rate in excess of 100 per 1000 live births, and 3) inability to meet food security requirements from domestic production or due to lack of foreign exchange for commercial purchases.

¶20. (C) Pakistan consumes 2,372 calories per day per capita (72 calories over the threshold) and has a child mortality rate of 67 per 1000 live births (a difference of 33). Pakistan definitely meets the third criteria of a food deficit country as it cannot meet its food security requirements either through domestic production or commercial purchase.

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Section 416(b)
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¶21. (C) Section 416(b) authorizes overseas donations of food commodities, acquired by the Commodity Credit Corporation of the USG, to countries in need. These donations may not reduce the amounts of commodities that are traditionally donated to U.S. domestic programs

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and may not disrupt normal commercial sales. Depending on the agreement, the commodities donated may be sold in the recipient country. The USDA administers Section 416(b) and the Food for Progress Act authorizes the Food for Progress Program the use of Section 416(b) resources to assist emerging democracies.

¶22. (C) According to the Foreign Agricultural Service, the Section 416(b) program is currently inactive as there are no Commodity Credit Corporation-owned commodities available at this time. However, if the USDA were to make wheat available to the Commodity Credit Corporation, this could be another avenue for providing food assistance to Pakistan.

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Comment
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¶23. (C) Comment. The GOP would benefit from both a concessional Title II food aid package from USAID as well as from a commercial agreement such as GSM 102 with USDA (reftel A). Washington previously rejected PL-480 for Pakistan in July due to competing global needs; however the situation in Pakistan has further deteriorated and we request consideration for an immediate appeal. Post agrees with the sentiment from the November 10 PCC that concessional food supplies under PL-480 would greatly assist the GOP in meeting its immediate food needs. Furthermore, Post requests confirmation that money pledged to Prime Minister Gilani by President Bush can be used for the intended monetary amount versus a quantitative restriction. Specifically, Post requests clarification if there is indeed a USD 11.75 million surplus in the Food for Progress program for Pakistan and whether it would be possible to purchase additional wheat using those funds.

¶24. (C) Comment continued. Out of the various titles and programs comprising PL-480, Post believes that Title II more fully addresses the immediate short term needs of Pakistan due to its intended impact for short term emergency assistance. Post believes that Title II is an effective means of helping the GOP without adding any unsustainable long term debt to the Pakistani coffers during this time of economic uncertainty. For longer term support, Post recommends that USAID also consider providing food aid assistance under Title III to Pakistan for long term agriculture development assistance. End Comment.

